



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, February 19, 2021

9:00 A.M. – 10:33 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202

The next regular Board of Trustees meeting will be held Friday, March 19, 2021 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Cpt. Michael Lynch
Richard Patsy
Terry Wood

Guests

Cy
Zach Cziryak
Chan Kyaw
Mark Muchowicz, JSO

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager
Randall Barnes, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Kevin Schmidt, RVK, Investment Consultant
Scott Maynard, RVK, Investment Consultant
Pete Strong, GRS, Fund Actuary
Lawsikia Hodges, Office of General Counsel
Tiffany Pinkstaff, Office of General Counsel
Bob Sugarman, Fund Counsel

Notice

NOTICE: Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Steve Lundy, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or SLundy@coj.net to file a public records request.

Pursuant to the American with Disabilities Act, accommodations for persons with disabilities are available upon request. Please allow 1-2 business days notification to process; last minute requests will be accepted, but may not be possible to fulfill. Please contact Disabled Services Division at: V(904) 630-4940, TTY-(904) 630-4933. If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting. Additional items may be added / changed prior to meeting.

Agenda

I. Pledge of Allegiance

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II. Invocation

Timothy Johnson gave the invocation.

III. Moment of Silence

Andrew B. Carnes, Active Police Sergeant
Jack E. Gwynes, Retired Police Officer
Jack O. Jones, Retired Police Officer
Harold L. Lee, Retired Police Officer
James H. "Howard" Salter, Retired Firefighter Engineer

IV. Public Speaking

None.

V. Consent Agenda Items 2021-02-(01-12)CA

Richard Patsy made a motion to approve the consent agenda. Seconded by Nawal McDaniel. The vote passed unanimously.

2021-02-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees & FIAC Manager Update of January 20, 2021
2. Summary to the Board of Trustees Meeting of January 22, 2021
3. Summary to the Board of Trustees & FIAC Manager Update of February 3, 2021

2021-02-02CA Disbursements

The listed expenditures in DISBURSEMENTS A & B have been reviewed and deemed payable. The Police and Fire Pension Fund Finance Manager certifies that they are proper and in compliance with the appropriated budget. Transaction lists attached.

DISBURSEMENTS A

01-01-2021 thru 01-31-2021

1. The Northern Trust Company	\$	19,697.86
2. Sawgrass Asset Management	\$	2,429.55
3. Loomis, Sayles & Company, L.P.	\$	97,223.45
4. Loomis, Sayles & Company, L.P.	\$	122,327.71

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Total \$ 241,678.57

DISBURSEMENTS B

01-01-2021 thru 01-31-2021

1.	Accounts Payable Distributions	\$	32,611.33
2.	Accounts Receivables	\$	61,632.46

2021-02-03CA Pension Distributions

All calculation and dollar amounts have been reviewed and calculated in accordance with accepted procedures.

January 8, 2021

1.	Regular Gross	\$	6,653,035.57
2.	Regular Lumpsum	\$	44,475.96
3.	Regular Rollover	\$	0.00
4.	Regular DROP Gross	\$	1,341,029.11
5.	DROP Lumpsum	\$	166,867.73
6.	DROP Rollover	\$	0.00
Total			\$ 8,205,408.37

January 22, 2021

1.	Regular Gross	\$	6,620,186.35
2.	Regular Lumpsum	\$	0.00
3.	Regular Rollover	\$	0.00
4.	Regular DROP Gross	\$	1,340,512.21
5.	DROP Lumpsum	\$	162,864.34
6.	DROP Rollover	\$	0.00
Total			\$ 8,123,562.90

The following Consent Agenda items 2021-02-(04-07CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on February 10, 2021. Vote was unanimous. Meeting Summary attached.

2021-02-04CA

Application for Membership

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[2021-02-05CA](#)

Application for Survivor Benefits

[2021-02-06CA](#)

Application for Vested Retirement

[2021-02-07CA](#)

Application for Time Service Connections

The following Consent Agenda items 2021-02-(08-12CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on February 10, 2021. Meeting Summary attached.

[2021-02-08CA](#)

Refund of Pension Contributions

[2021-02-09CA](#)

Share Plan Distributions

[2021-02-10CA](#)

DROP Participant Termination of Employment

[2021-02-11CA](#)

DROP Distributions

[2021-02-12CA](#)

DROP Distributions for Survivors

VI. Actuary Reports

a. Draft Actuarial Valuation Report as of October 1, 2020

Pete Strong briefly highlighted his Draft Actuarial Valuation Report as of October 1, 2020. He was unable to give his presentation to the Board of Trustees in January because he was sick with COVID-19. The Board watched a recording of his presentation to the FIAC in January.

Pete Strong said the required employer contribution increased by about \$9.2 million this year due to the relative increases in unfunded liability of the City's two other pension plans, assumption changes, and negative surtax growth.

Terry Wood said he had concerns about the surtax growth rate in the past.

Michael Lynch agreed and said during his conversations with the City a year ago, he questioned the sales tax growth rate, but the City was not worried. He asked Randall Barnes if he agreed that the negative growth rate of the surtax was a short-term issue.

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Randall Barnes agreed and said that even though the surtax declined by 2%, Jacksonville fared much better than other cities across the country considering the economic shutdowns. We do not believe this is systemic. All economic indicators are pointing up. The pension reform plan is working as it should. When the sales tax does not grow as much as it should, the City puts more money into the plans.

Pete Strong said that the last time there was a decline in the surtax growth rate was in the 2008-2009 recession, which saw a 9% decline in the surtax. Even with that considered, the average growth rate over the last 20 years was about 3.5%. Not counting the 9% decline, that average gets closer to 4.25%.

Randall Barnes said that the 9% decline resulted from a much broader economic problem than what Jacksonville experienced due to the pandemic.

Chris Brown said that even if we exclude the 2008-2009 recession, we get closer to the 4.25% assumed rate, but we are still off.

Michael Lynch said that only the City can set the 4.25% surtax growth rate assumption.

Chris Brown said that the Board's perspective is that the 4.25% surtax growth rate assumption is unreasonable, and has made that position clear, and has the logic to back it up.

Randall Barnes agreed and said that is definitely an optimistic rate. The rate has to be determined as time goes by, and at some point, if we consistently do not meet the 4.25% rate, City Council may say we need to lower the rate. The good thing about this plan is that there are various levers which keep everyone in line over time.

Terry Wood said that when the Better Jacksonville Plan was conceived, the City expected it to be paid off in 2016-2017. Now, Randall Barnes said it will be paid off in 2028-2029. We have a long way to go.

Pete Strong covered the 40-Year Projection on page 56 of the valuation report. The net unfunded liability is expected to be paid off in 2048.

Michael Lynch asked about changes in mortality experienced this year.

Pete Strong said there is an ongoing discussion in the professional actuary community on the effect of COVID-19 on mortality – whether the effect is permanent, or a blip. He said he believes COVID-19 will not have a big impact on mortality tables on the long-term horizon.

Terry Wood made a motion to accept the valuation report and forward to the appropriate places. Seconded by Richard Patsy. The vote passed unanimously.

VII. Investment Consultant Reports

a. Monthly Investment Performance Analysis – January 31, 2021

Kevin Schmidt covered the general market commentary as contained on page 2 of the report:

- Equity markets began the month strong, before pulling back sharply the last week of January, finishing with mixed results. Broad international and US indices ended the month roughly flat, although domestic small cap

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indices outperformed their large cap counterparts and finished with mid-single digit returns. The strong performance early in the month was largely due to vaccine and stimulus optimism, but pulled back in part due to renewed uncertainty over likelihood of the large \$1.9T stimulus package being passed by Congress, and due to the continued spread of COVID-19 combined with delays in the distribution of vaccines.

- Adding to the downwards pricing pressure on equity markets towards the end of the month, groups of retail investors attempted to enact a short squeeze on select hedge funds with large short interest in certain small cap stocks. Some hedge funds were forced to sell large amounts of liquid equity positions in order to remain solvent.
- At the January Federal Reserve meeting, the FOMC announced it would continue its pace of purchasing assets while keeping the federal funds rate near zero to support the economy, noting that the US' economic outlook remains uncertain.
- Equity markets posted negative returns in January as the S&P 500 (Cap Wtd) Index returned -1.01% and the MSCI EAFE (Net) Index returned -1.07%. Emerging markets returned 3.07% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -0.72% in January, underperforming the -0.24% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -1.41%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned 0.10% in January and 5.51% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 13.35% for the trailing one-year period and 12.99% for the trailing five-year period ending September 2020.
- The return for absolute return strategies, as measured by the HFRI FOF Comp Index, is currently unavailable.
- Crude oil's price increased by 7.58% during the month, and has increased by 1.24% YoY.

Kevin Schmidt said that through yesterday's market close, the Fund was up 4.5% month-to-date, up 5.2% calendar year-to-date, and up 17.8% fiscal year-to-date.

Kevin Schmidt covered performance on page 6, noting a unique performance situation that occurred – heavily shorted stocks accounted for 80% of the Russell 2000 index returns for the month.

Michael Lynch asked if there would be a reverse effect now that the shorting has gone down.

Kevin Schmidt said there was a reversal in February, but it probably won't be a 1 for 1 reversal.

Richard Patsy asked about the prior target to international small cap which was never funded. He asked what RVK's thoughts are in adding international small cap back to the target.

Jordan Cipriani said that the 2% target to international small cap was never funded. A dedicated manager to international small cap is something we can consider, and the policy would allow it without a target. The fund already gets some international small cap exposure with the current lineup of managers – Silchester has a good exposure. We don't think it needs to be funded now, but we could consider it in a structure study.

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b. MWBE & SDVOB Broker / Dealer Utilization Report

Jordan Cipriani covered the Minority/Women-owned Business Enterprises and Service-Disabled Veteran-owned Businesses broker / dealer utilization report. In 2019, the FIAC adopted an emerging manager and brokerage policy, seeking to foster inclusion with managers and brokers. PFPF Staff asked RVK to gather data to track how this is moving along. We sent a questionnaire to managers to aggregate the data. Our goal is to do this on ongoing semiannual basis.

Jordan Cipriani covered the results on page 3. Northern Trust has the highest diversity. Two managers indicated they have set internal guidelines targeting diverse brokers – Northern Trust and Pinnacle.

Jordan Cipriani discussed the composition of total commissions paid as it relates to utilization of MWBE and SDVOB on page 4:

- Disabled Veteran: 37%
- Hispanic: 36%
- African American: 16%
- Women: 11%

Timothy Johnson commended Kevin Grant, Jordan Cipriani, and RVK for putting this together. This was a policy direction added to the Investment Policy Statement. The Board gave the FIAC the responsibility to implement this. We do not have a specific target or goal – this is aspirational and will improve over time.

c. Real Estate Market Update

Scott Maynard presented the Real Estate Market Update, covering the Fund’s two real estate managers, JP Morgan and Principal. He covered the near-term outlooks in the real estate sector, and its components of office, retail, apartments, and industrial. He overviewed the recent real estate trends in rent collections, leverage, and cap rates. He also covered the real estate market outlooks, notably the distressed asset sales, rental rates among multifamily real estate in gateway versus secondary markets, and the lending environments during the Great Financial Crisis and COVID-19.

Richard Patsy asked what the timeline would be for any future recommendations from RVK.

Jordan Cipriani said RVK would like to present the pacing guidance first. The Private Credit piece will be presented in March, then the pacing plan a month or two after that.

VIII. *Executive Director’s Report*

Timothy Johnson briefly overviewed his Executive Director’s report, noting that a few governance duties are still underway like the audit, chapter fund application, and actuarial valuation. There is a new potential FIAC member who may be sent to the Board for approval following potential FIAC approval.

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IX. Counsel Reports

Timothy Johnson said that he invited Tiffany Pinkstaff of the Office of General Counsel to join today to update the Board of Trustees on the DaVita securities litigation case. The PFPF was co-lead plaintiff with the Georgia Peace Officers' Fund.

Tiffany Pinkstaff said that we are in a good place in this case – the court approved a \$135 million settlement, and has preliminarily approved the settlement class. The litigation process is almost over.

Timothy Johnson asked if he has the authority to sign the settlement document.

Tiffany Pinkstaff said that it would be best for Timothy Johnson to sign the document. This is simply a declaration supporting the payment to the Fund.

Lawsikia Hodges said she has nothing to report from OGC.

Bob Sugarman said he is working on the SSVRP, and insurance for the FIAC and Advisory Committee members.

X. Adjournment

10:33 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

Posted: 02/23/2021

To be Approved: 03/19/2021